

# Memorandum

To: Panel Members Date: February 27, 2003

From: Charles Rufo, Manager  
Peter DeMauro, General Counsel Analyst: K. Udarbe

Subject: One-Step Agreement for **Valley Fresh, Inc. (HUA)**  
(valleyfresh.com)

## **CONTRACTOR:**

- Training Project Profile: Retraining: Companies with out-of-state competition
- Legislative Priorities: Promotion of California's Manufacturing Workforce  
Moving to a high performance workplace; Stimulating  
Exports and Imports
- Type of Industry: Manufacturing
- Repeat Contractor: Yes
- Contractor's Full Time Employees:
  - Company Wide: 1,160
  - In California: 514
- Fringe Benefits: No
- Union Representation: Yes
- Name and Local Number of Union  
representing workers to be Trained: United Food and Commercial Workers No. 588

## **CONTRACT:**

- Program Costs: \$49,140
- Substantial Contribution: \$0
- Total ETP Funding: \$49,140
- In-Kind Contribution: \$63,741
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Stanislaus
- Duration of Agreement: 24 Months

**SUBCONTRACTORS:**

BLI Company, Salida, California for a fee of \$6,411 for contract administration.

Veerkamp Professional Services, Placerville, California for a fee of \$5,000 for Specialist Trainer for the Hazardous Materials Training.

**THIRD PARTY SERVICES:**

BLI Company, Salida, California for a fee of \$8,000 for the development of this contract.

**PRIOR PROJECTS:**

The following are completed project statistics for ETP Agreements with this Contractor within the last five years:

| Agreement No.        | Location (City) | Term              | Agreement Amount | Amount Earned | % Earned |
|----------------------|-----------------|-------------------|------------------|---------------|----------|
| ET00-0224 Retrainees | Turlock         | 12/31/99-12/30/01 | \$18,720         | \$16,848      | 90%      |

Comments: The contract had a maximum to place of 20 and actually placed 18 or 90% of contract goals.

**NARRATIVE:**

Valley Fresh, Inc. (VF) is eligible for standard retraining under the Out-of-State Competition Provisions outlined in Title 22, California Code of Regulations, Section 4416(b) for industrially classified manufacturers retraining current employees.

VF was incorporated in Delaware on August 29, 1990. The company's primary business is processing fowl for retail and food service markets. In addition to the corporate office and processing facility in Turlock, California, the company has additional processing plants in Talmo, Georgia; Mentone, Indiana; and Water Valley, Mississippi.

The company's product line consists of canned chicken, canned turkey, canned chicken broth, frozen diced chicken and ready-to-eat meals. These products are sold nationwide to retail customers such as Raley's, Safeway, Albertsons, Save Mart, Price Club/Costco and food service customers such as Alliant and Marriott. In addition, the company participates in numerous government bid programs such as school lunch and other U.S. government food programs. The company's competition consists of Swanson and Hormel in the retail business, Tyson Foods for the club stores business and Tony Downs, Tyson Food and Critter Food for the food service business.

VF is seeking ETP funding support to retrain current workers to become a high-performance workplace. As other industries were impacted by the 9/11 disasters, so was VF. After the disaster, the company realized a significant decline in government orders and became aware of its over dependence on government contracts. Since then, the company has been in a hiring mode as sales for the Turlock facility increased by \$6 million in 2002. In addition to its continued increase from club and grocery store sales, the U.S. Government is now again in a purchasing phase, further increasing the

**NARRATIVE:** (continued)

facility's planned production in 2003 by 35%. In order to respond to the increased demand from traditional and new markets, the company is embarking on a full-scale re-engineering of the Turlock facility.

In 2002, the company spent \$2.2 million in facilities upgrading which includes an additional 5,000 square feet in the processing plant, a complete re-engineering of the processing area, a retrofit of the warehouse and addition of new state-of-the-art poultry processing equipment. Due to these extensive capital outlays in recent months, the company has committed to retraining its personnel in the skills that are required to operate the plant with a renewed approach to moving to a high performance workplace.

Frontline production workers, supervisors and administration will be cross-trained to work as a team in a seamless process to address shop-floor downtime, identify potential bottlenecks, improve operating efficiencies, increase productivity, utilize new computer technologies to track production inputs and outputs; and, improve overall customer service.

**COMPUTER SKILLS:** To date, the use of computer-based applications have been limited to specialized software for Payroll, Accounting for the Accounts Payable unit and the Controller's Office. Plant managers and administrative support are still using typewriters. VF has recently spent over \$200,000 in the purchase and installation of new computers containing the Microsoft Office Suite for administrative and production applications, the latest accounting software, ManBar software for warehouse operations and support for the RS6000 Mainframe.

The proposed project will train a cross-section of workers, including administration and production personnel in the use of basic, intermediate and advanced computer software for the preparation of production plans, cost estimates, production tracking information, shipping and reports for internal record keeping and timely responses to customer information needs.

**BUSINESS SKILLS:** Training will allow VF's plant personnel, administration and supervisors the skills to address, as a team, shop floor and interdepartmental communication issues, production delays, problem-solving and decision making in order to improve plant efficiencies, reduce downtime and increase overall productivity.

**MANAGEMENT SKILLS:** Training will focus on plant supervisors and team leaders to provide them with a complete understanding and practice of leadership skills, team building, communication fundamentals, problem-solving, customer service and effective performance evaluations in order to improve teamwork, production flow and overall plant integration.

**HAZARDOUS MATERIALS:** The Turlock facility is scheduled to increase the handling of an acute hazardous refrigerant called *anhydrous ammonia* (AHM) from the current 10,000 lbs to over 60,000 lbs by mid-year of 2003. The material is extremely hazardous for the plant, as well as for the adjacent community in case of an ammonia leak. Due to the risk that may affect the whole plant, Valley Fresh proposes to cross-train personnel from all units in the Turlock facility on the risks of this material, mitigation of live release, control, shut down of the system and plant evacuation. The proposed training will involve employees not previously trained per the requirements of the Occupational Safety and Health Administration (OSHA).

**NARRATIVE:** (continued)

**Supplemental Nature of Training**

VF management remains committed to training its workforce. Training in the past and present has been primarily limited to the requirements set forth by the various regulating bodies (Environmental Protection Agency, Occupational Safety and Health Administration, etc.).

Because it is a manufacturing facility, its focus in the past ETP-funded training was limited to and directed to its maintenance department and training employees to keep the plant equipment well maintained and operational. However, with the total plant re-engineering and installation of new plant technologies, the company now must retrain employee teams in inter-departmental communications, integrated production processes, utilization of computer equipment and the application of new technologies.

VF has spent over \$2 million in re-engineering and capital investments in new state-of-the art poultry processing equipment. This equipment is installed in the receiving docks and throughout the rest of the plant facility. Some equipment vendors have provided VF employees with basic 8-hour orientations on the new equipment. However, the company needs all key personnel, plant operators, frontline production workers, warehouse personnel, supervisors and administration, to be trained in greater depth in the optimal use, management and maintenance of these facilities.

The proposed Hazardous Materials training will be supplemental to the OSHA required training of the VF Emergency Response Team. On the basis of OSHA Standards, a team of 16 personnel has been designated as First Responder Operation Level, Hazardous Materials Technicians, Hazardous Materials Specialists and On-Scene Incident Commander. The team was trained in 2002 and will receive refresher courses annually without ETP funding. The proposed training will be provided to an additional 72 personnel that the company has identified to fill in and lead their unit personnel in case of an ammonia leak and an immediate evacuation is necessary.

The company does not have the resources and funding to provide the in-depth retraining for plant personnel to fully develop into a high performance workplace. All proposed training is supplemental because it is over and beyond what was covered by the previous ETP funded program; it involves all key plant units and teams; it ensures all facility units are fully trained in handling the increased volume of anhydrous ammonia; it introduces personnel to the use of new production technologies; and, it involves the adaptation of new management approaches.

**In-Kind Contribution**

VF will contribute to this training plan as follows:

|  |                 |
|--|-----------------|
| Wages paid to employees during training  | \$ 52,861       |
| Training Materials @ \$40 per Trainee    | \$ 2,880        |
| Project development and Needs Assessment | <u>\$ 8,000</u> |

|                             |                  |
|-----------------------------|------------------|
| Total In-Kind Contribution: | <u>\$ 63,741</u> |
|-----------------------------|------------------|

**COMMENTS:**

**Training in High Unemployment Areas of California**

This Agreement affects workers in Turlock, Stanislaus County, a California county with significantly high unemployment rate, i.e., exceeding the state average by 25 percent or more. Based on Employment Development Department (EDD) figures for December 2002, the specific unemployment rate in Stanislaus County is 11.5 percent, while the statewide rate is 6.3 percent. However, the applicant is not requesting a waiver of existing ETP minimum wage policy.

**Senior Staff Policy**

All of the participants meet the Panel definition of frontline workers under Title 22, California Code of Regulations, Section 4400(ee), except for 12 supervisors/managers (14 percent of the total 84 trainees). VF representatives certify that no senior policy executives who create or implement company policy will be enrolled in the proposed ETP-funded training.

**Support from the Union**

Union Food and Commercial Workers Local 588 support the participation of its members in the training provided through this ETP project application. The union members consist of plant production personnel.

**PROPOSED ACTION:**

Staff recommends that the Panel approve this One-Step Agreement, if funding is available and the project meets Panel Priorities. This recommendation is based on the support and promotion of a manufacturing facility located within a high unemployment area and moving to a high performance workplace.

**TRAINING PLAN:**

| <b>Grp/Trainee Type</b>  | <b>Types of Training</b>   | <b>No. Retain</b> | <b>No. Class/Lab Videocnf. Hrs</b> | <b>No. CBT Hrs</b> | <b>No. SOST Hrs.</b> | <b>Cost per Trainee</b>                                  | <b>Hourly Wage after 90 days</b>                                |
|--|--|-------------------|------------------------------------|--------------------|----------------------|--|---|
| Job Number 1<br>Retrainee  | Computer Skills<br>Business Skills<br>Hazardous Materials<br>Management Skills | 8                 | 40                                 | 0                  | 0                    | \$520  | \$12.00 - \$15.00   |
| Job Number 2<br>Retrainee  | Computer Skills<br>Business Skills<br>Hazardous Materials                      | 49                | 40                                 | 0                  | 0                    | \$520  | \$10.98 - \$14.25   |
| Job Number 3<br>Retrainee  | Computer Skills<br>Business Skills<br>Hazardous Materials                      | 15                | 100                                | 0                  | 0                    | \$1,300  | \$10.98 - \$14.25   |
|  |  |                   |                                    |                    |                      | <b><u>Range of Hourly Wages</u></b><br>\$10.98 - \$15.00 |   |
|  |  |                   |                                    |                    |                      | <b><u>Prevalent Hourly Wage</u></b><br>\$12.50           |   |
|  |  |                   |                                    |                    |                      | <b><u>Average Cost per Trainee</u></b><br>\$683          |   |
| <b><u>Health Benefit used to meet ETP minimum wage:</u></b><br><br>Although the company pays health benefits for its employees, the hourly contribution is not being used to meet ETP minimum wage requirements. |  |                   |                                    |                    |                      | <b><u>Turnover Rate</u></b><br>12.0%                     | <b><u>% of Mgrs &amp; Supervisors to be trained:</u></b><br>14% |

Valley Fresh  
Menu Curriculum

Class/Lab  
Hours  
40 – 100

Trainees will receive training in any of the following:

COMPUTER TRAINING

Hardware and Software Installation

Word Documents

Access Database

Excel Spreadsheets

Universal Accounting for Manufacturing

ManBar Program for Warehouse Operations

RS6000 Mainframe

BUSINESS SKILLS

Negotiation Skills

Sales/Customer Service

Problem Solving

Decision Making

Communication

HAZARDOUS MATERIALS

Plant system operation

Regulatory reporting and responsibility

PPE, Sound Practices and Haz-Mat recognition

Assessment, and IC Team design

Handling, rescue and mitigation of the AHM

Incident termination, surveillance and start-up

MANAGEMENT SKILLS (For Job 1 Only)

Leadership Skills

Effective Communication Fundamentals

Team Building

Effective Performance Evaluations

Problem Solving

Decision Making